Our Fiscal Profile

BUDGET 1992

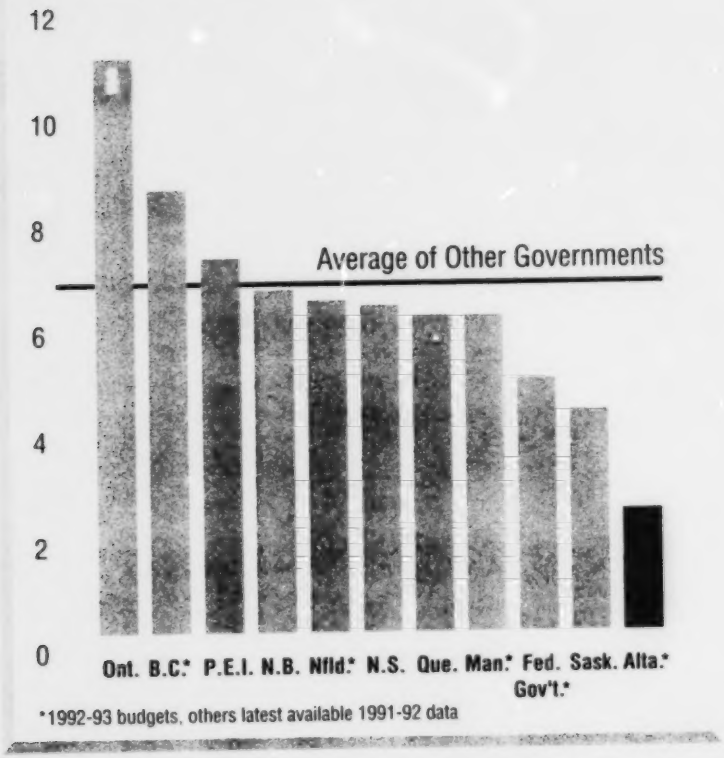
Alberta
GOVERNMENT OF ALBERTA

92-05768/

EXPENDITURE MANAGEMENT RECORD

Program Expenditure Growth Since 1985-86

(per cent, annual average)



- Since 1985-86, Alberta's program spending growth has been limited to an average of just 2.3% per year.
- Other governments in Canada have increased their program expenditure almost three times faster than Alberta, on average.
- To reinforce its commitment to expenditure management, the government will introduce spending control legislation.
- Growth in ordinary program spending, including any in-year increase from special warrants, will be limited to 2½% in 1992-93, 2¼% in the following year, and 2% in 1994-95.
- The spending limits will be a maximum, not a floor.

Major Provincial Tax Rates

	Personal Income Tax[a]			Retail Sales Tax	Gasoline Tax	Tobacco Tax	Health Premiums Individual/ Family	Corporate Income Tax			Capital Tax		Payroll Tax (max.)
	Basic Rate	High Income Surtax	Flat Rate Tax					Small Business Rate	M&P Rate	General Rate	General (max.)	Financial Institutions (max.)	
	(%)	(%)	(%)	(%)	(¢/litre)	($/pack of 25)	($/month)	(%)	(%)	(%)	(%)	(%)	(%)
British Columbia	52.5[b]	20/30[b]	—	6.0	10.0	2.63	35/70	10.0	—	16.0	0.3	3.0	—
Alberta	45.5[b]	8.0	0.5	—	9.0	1.75	27/54	6.0	14.5[d]	15.5	—	2.0	—
Saskatchewan	50.0	15.0	2.0	7.0	10.0	1.67	—	10.0	—	16.0	0.6	3.0	—
Manitoba	52.0	2.0	2.0	7.0	10.5	2.00[c]	—	10.0	—	17.0	0.5	3.0	2.25
Ontario	53.0	14.0	—	8.0	14.7	1.63[c]	—	10.0	14.5	15.5	0.3	1.0	1.95
Quebec	n.a.	n.a.	n.a.	8.0	14.5[c]	1.72[c]	—	3.75	—	6.9	0.56	1.12	3.75
New Brunswick	60.0	8.0	—	11.0	12.7	2.35[c]	—	9.0	—	17.0	—	3.0	—
Nova Scotia	59.5	10.0	—	10.0	12.6	1.70[c]	—	10.0	—	16.0	—	3.0	—
Prince Edward Island	59.5	10.0	—	10.0	11.8	2.25	—	10.0	—	15.0	—	3.0	—
Newfoundland	66.0[b]	—	—	12.0	13.7	1.95[c]	—	10.0	—	17.0	—	3.0	2.00

Rates for other provinces known as of March 27, 1992.

[a] The basic rate is a percentage of basic federal tax. The high income surtax is based on: net income in Manitoba, the sum of basic tax and flat tax in Saskatchewan and basic tax in the other provinces. The flat rate tax is a percentage of taxable income in Alberta and net income in Saskatchewan and Manitoba. Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions for low income taxpayers. Quebec's personal income tax system is not directly comparable to those in other provinces.

[b] Rate on January 1, 1993 and is the effective rate on July 1, 1992 in British Columbia and Alberta. The 1992 annual rates are: British Columbia 52.0% (high income surtax 10/20%); Alberta 46.0%; Newfoundland 64.5%.

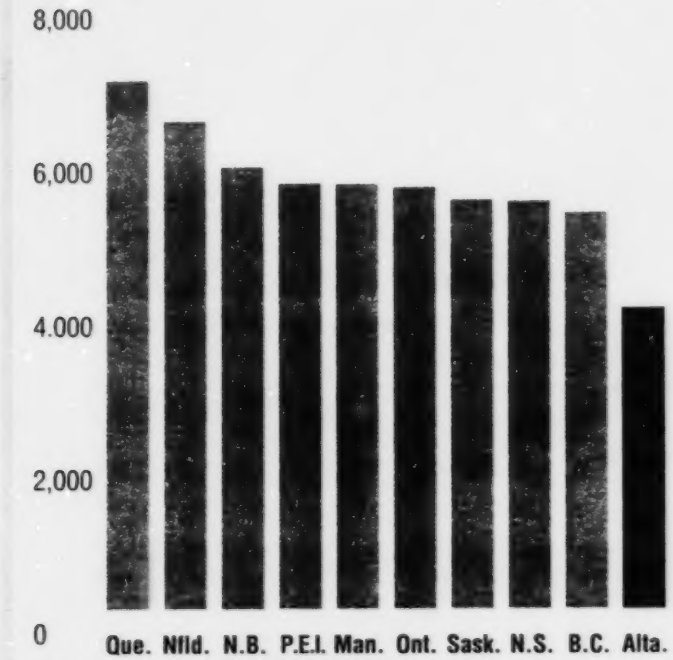
[c] These provinces apply their retail sales taxes on top of this tax.

[d] Rate will be 15.0% on July 1, 1992 and 14.5% on January 1, 1993.

TAX CUT FOR ALBERTANS

Comparison of Provincial Taxes Payable*

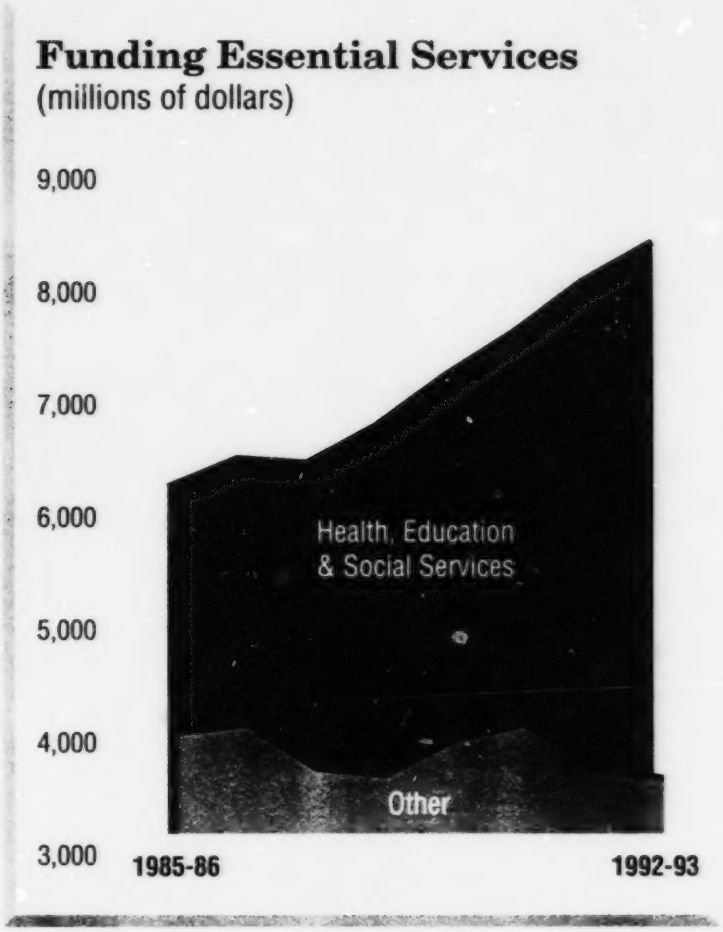
(dollars)



*Family of four, two income earners, two children ages 8 and 10 years. Gross income of $55,000. Includes provincial personal income tax, sales tax, health care premiums, payroll tax, tobacco tax, fuel tax and hotel room tax. Other provinces as of March 27, 1992.

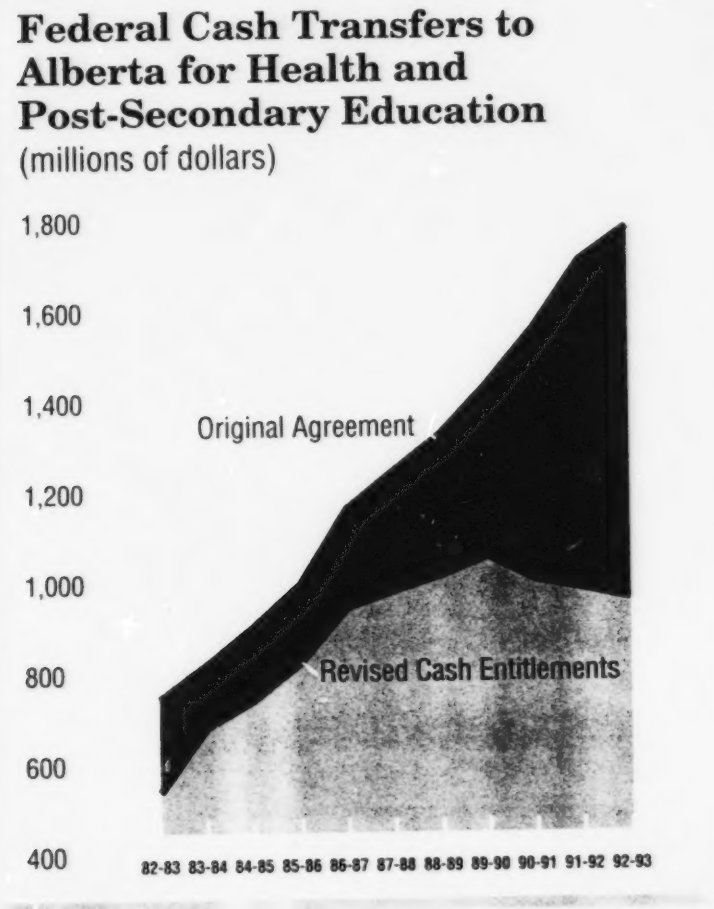
- The personal income tax rate will be effectively reduced by one percentage point on July 1, 1992.
- The Alberta and federal income tax reductions will cut total taxes for Albertans by $65 million in 1992 and over $200 million in 1993.
- Albertans pay the lowest provincial personal income taxes in Canada. Alberta is the only province without a retail sales tax.

PROTECTING ESSENTIAL SERVICES



- Spending on health, education and social services will rise by almost $350 million in 1992-93.
- Since 1985-86, support for these programs will have increased by nearly $2.2 billion.
- Expenditure on other programs and government administration has been reduced by over $400 million since 1985-86.
- In 1992-93, half of the departments will spend less than they did seven years ago.

FEDERAL CASH TRANSFERS TO ALBERTA CONTINUE TO DECLINE

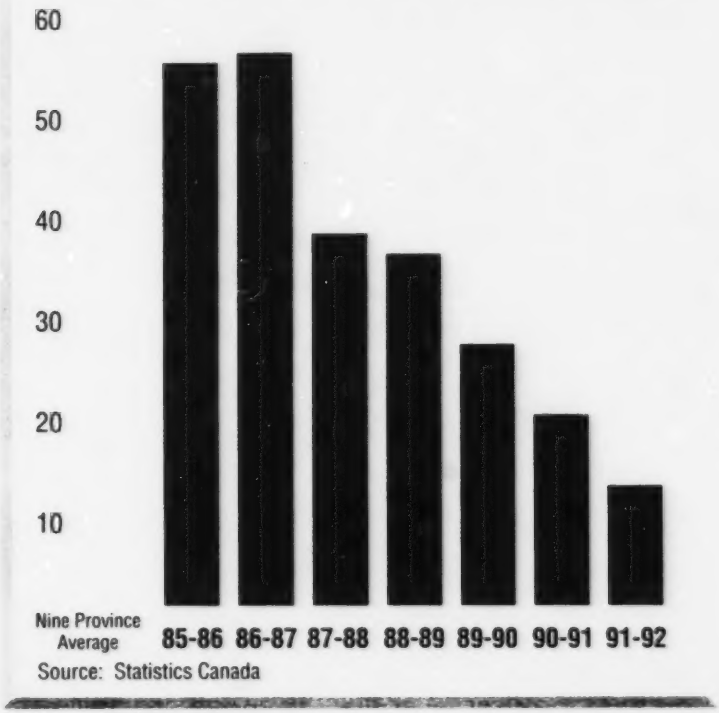


- Over the past decade, the federal government has offloaded part of its deficit problem onto the provinces.
- Ottawa has unilaterally cut federal cash transfers for health and advanced education and has discriminated against provinces like Alberta on social assistance.
- In 1992-93 alone, these federal actions will cost the Alberta government over $850 million in lost revenue.

HOW DOES ALBERTA'S EXPENDITURE COMPARE?

Alberta Program Expenditure Per Capita Relative to Other Provinces

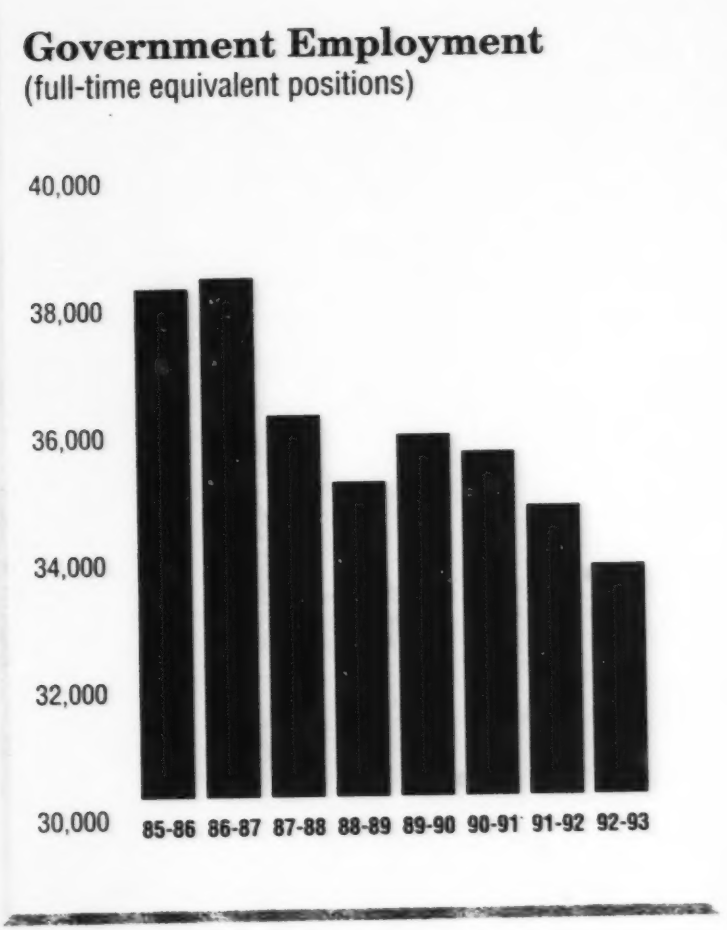
(percentage above the average of other provinces).



Source: Statistics Canada

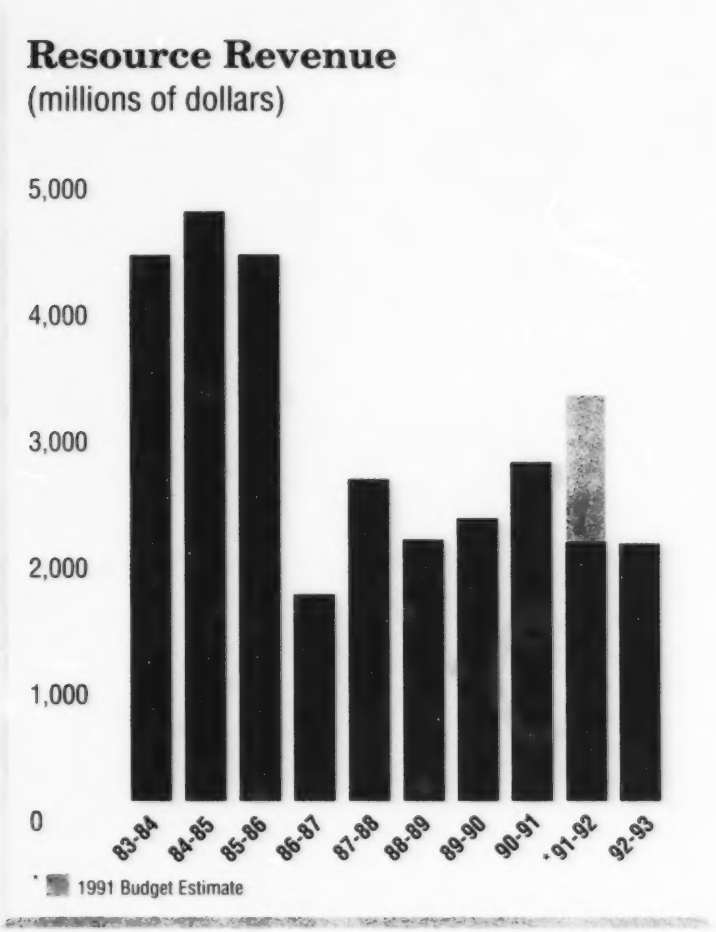
- In 1985-86, Alberta's per capita program expenditure was nearly 55% higher than the average of other provinces.
- After six years of restraint, the per capita difference in program spending has been reduced to about 12%.

CIVIL SERVICE SMALLER THAN 15 YEARS AGO



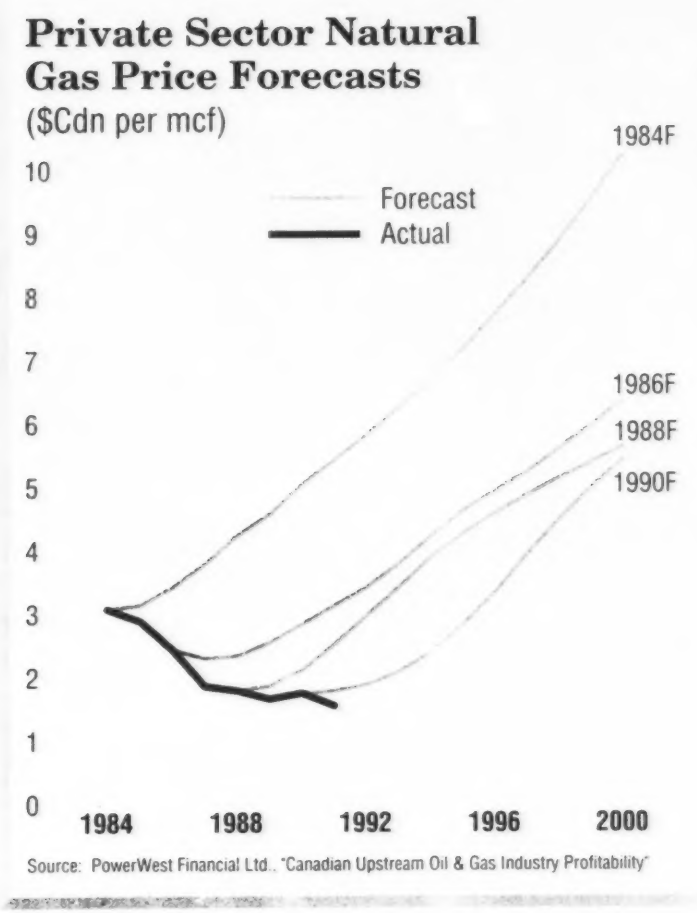
- Employment in the civil service will be cut by about 1,000 positions in 1992-93.
- Including this year's reduction, the civil service will have been cut by close to 4,400 full-time equivalent positions since 1985-86.
- The Alberta civil service will be smaller this year than it was 15 years ago.

ENERGY REVENUE DECLINES



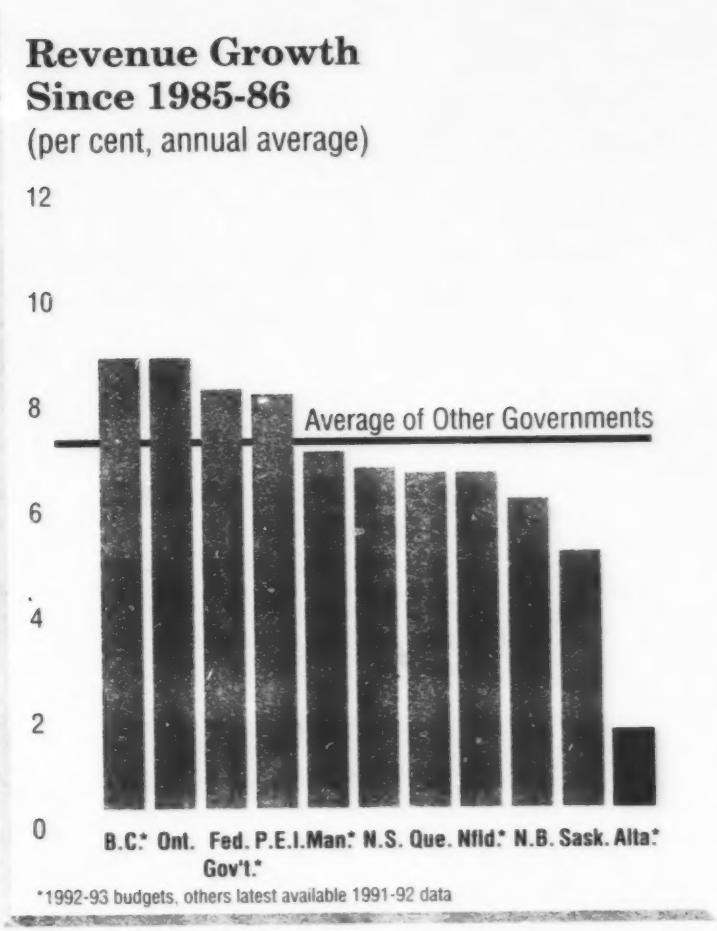
- Between 1986-87 and 1990-91, non-renewable resource revenue was on an upward track. It had increased by about $1 billion, an average of nearly 14% a year.
- In 1991-92, non-renewable resource revenue declined by nearly 25%, or $600 million from 1990-91. It was almost $1.2 billion below the 1991-92 budget estimate.
- Non-renewable resource revenue is not expected to increase in 1992-93.
- Weak energy revenue will lead to a deficit of over $1.5 billion in 1991-92 and nearly $2.3 billion in 1992-93.

NATURAL GAS FORECASTS



- Since the mid-1980s, private sector energy experts have been forecasting a rebound in natural gas prices. They have been wrong.
- Natural gas prices have declined since 1984 and are now expected to decline further in 1992-93.
- The expected rebound in natural gas prices was the major factor driving energy activity in Alberta over the last few years. The sharp decline in prices last year caused the energy industry to cut back activity and investment.
- Weak natural gas prices were a key reason the province was not able to balance the budget in 1991-92.

HOW DOES ALBERTA'S REVENUE GROWTH COMPARE?

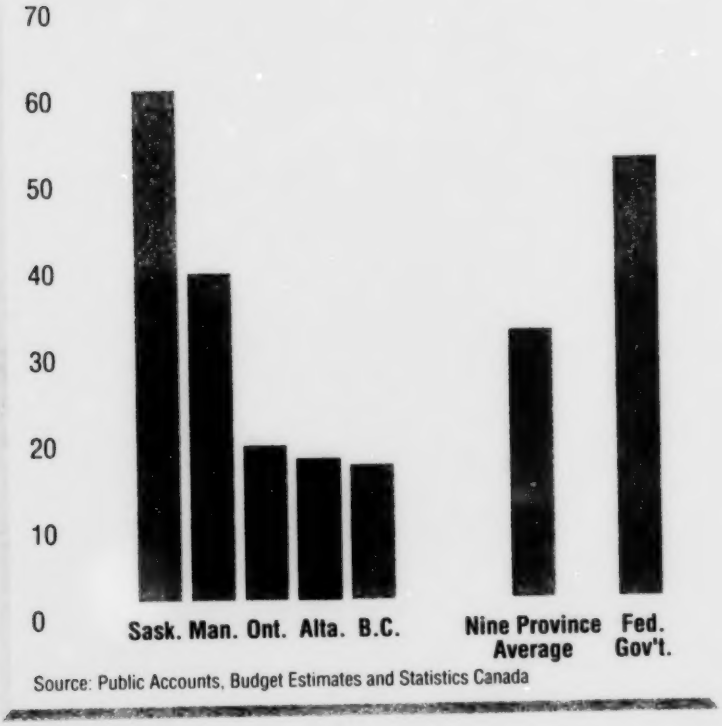


- Since 1985-86, Alberta has had the weakest revenue growth of any government in Canada.
- The revenue of other governments has grown on average by 7% per year since 1985-86, compared to an increase of just 1.5% per year in Alberta.

LOW LEVEL OF GOVERNMENT DEBT

Comparison of Government Net Direct Debt at March 31, 1991

(percentage of gross domestic product)



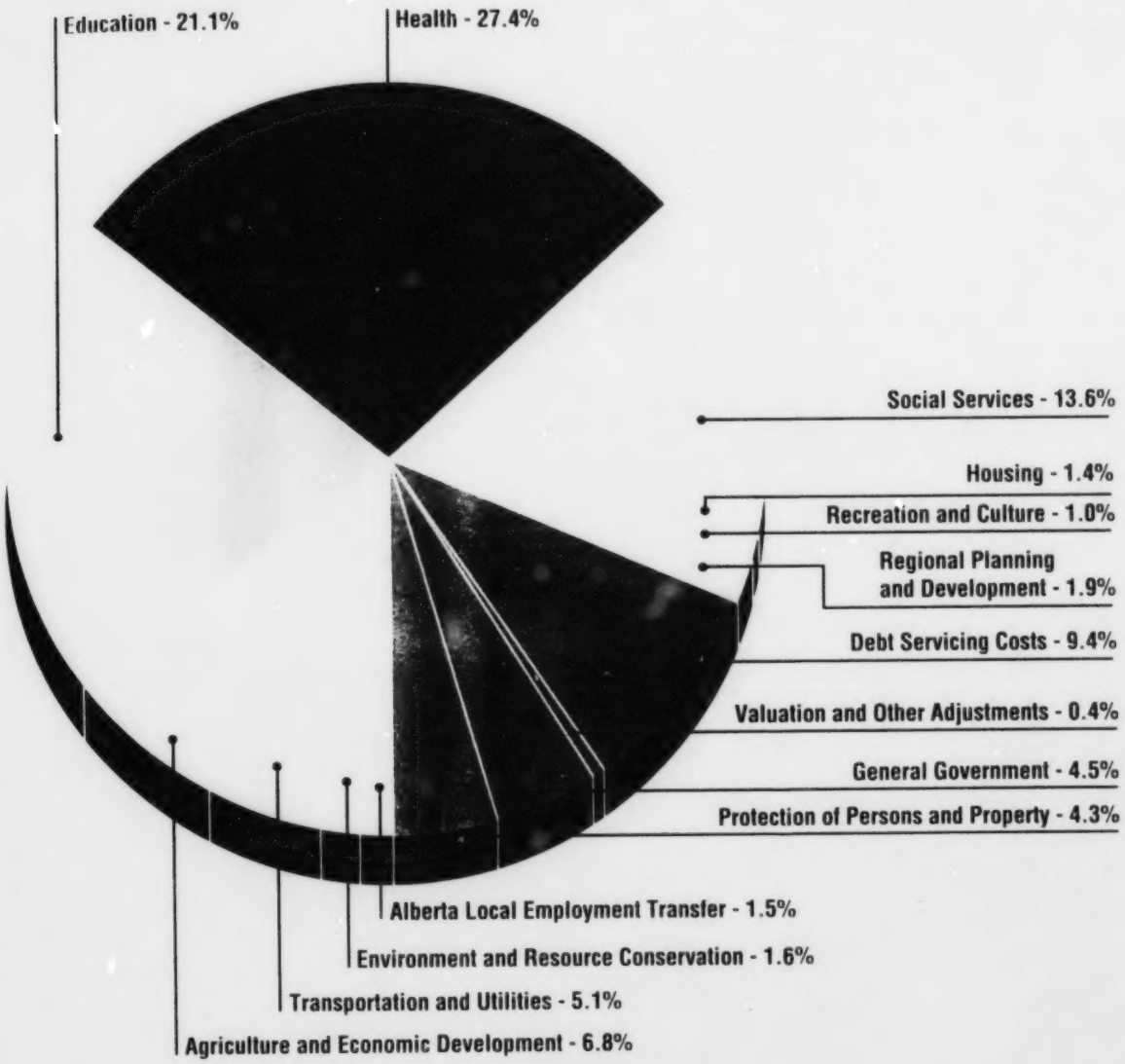
Source: Public Accounts, Budget Estimates and Statistics Canada

- Alberta's net direct debt is the second lowest among the provinces.
- No other province has the significant financial assets of the Heritage Fund.

HOW IS YOUR MONEY SPENT?

Budgetary Expenditure By Major Function
1992-93 Estimate

Chart A1


Education - 21.1%
Health - 27.4%
Social Services - 13.6%
Housing - 1.4%
Recreation and Culture - 1.0%
Regional Planning and Development - 1.9%
Debt Servicing Costs - 9.4%
Valuation and Other Adjustments - 0.4%
General Government - 4.5%
Protection of Persons and Property - 4.3%
Alberta Local Employment Transfer - 1.5%
Environment and Resource Conservation - 1.6%
Transportation and Utilities - 5.1%
Agriculture and Economic Development - 6.8%

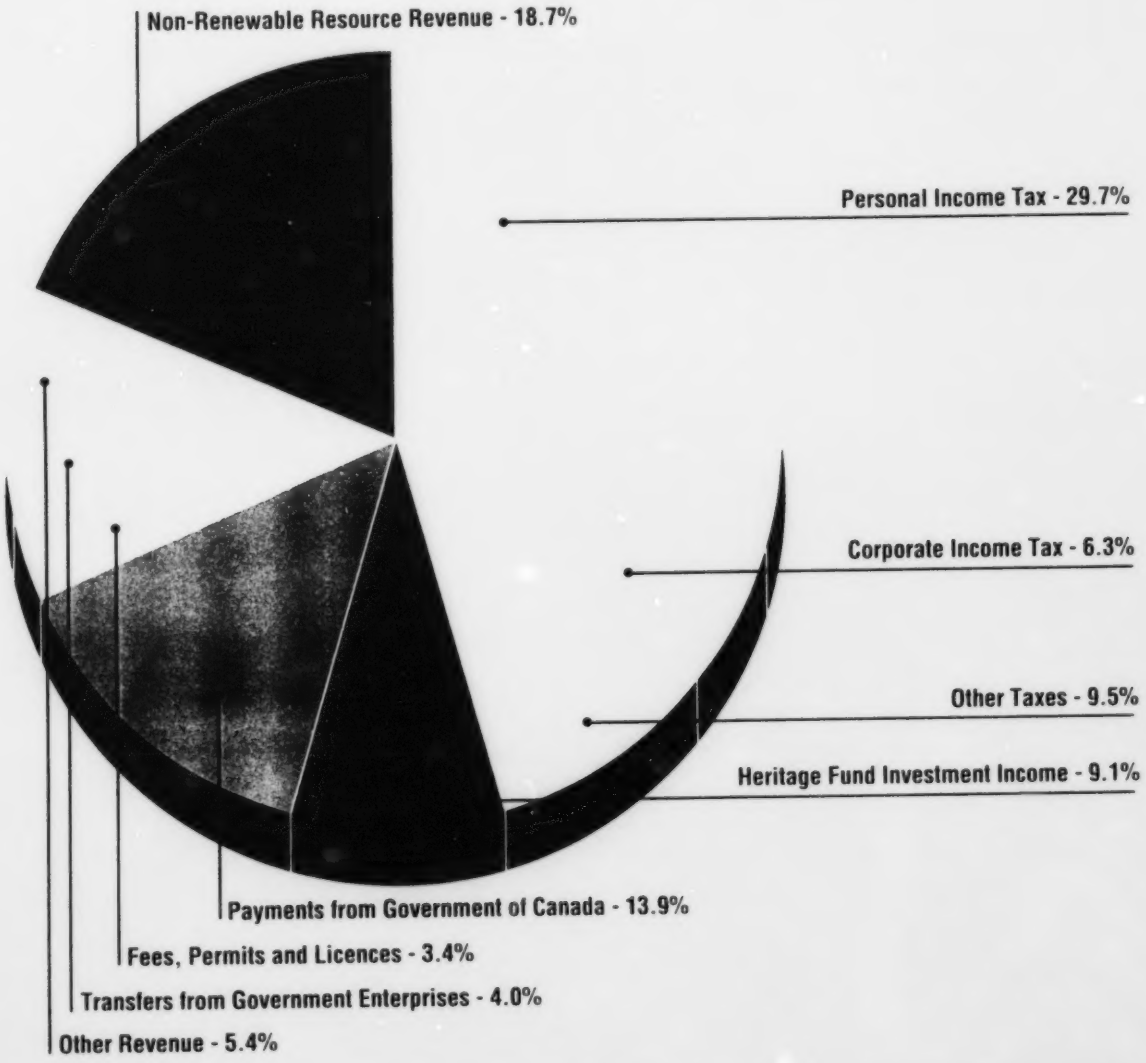
Total Budgetary Expenditure - $13,273 Million

- In 1992-93, expenditure on health, education and social services will account for 70% of our program expenditure or 62% of total expenditure.
- Transfers to municipal governments, hospitals, school boards, post-secondary institutions and other local authorities account for 48% of program expenditure.

WHERE DOES ALBERTA'S REVENUE COME FROM?

Budgetary Revenue By Major Source
1992-93 Estimate

Chart A2


Non-Renewable Resource Revenue - 18.7%
Personal Income Tax - 29.7%
Corporate Income Tax - 6.3%
Other Taxes - 9.5%
Heritage Fund Investment Income - 9.1%
Payments from Government of Canada - 13.9%
Fees, Permits and Licences - 3.4%
Transfers from Government Enterprises - 4.0%
Other Revenue - 5.4%

Total Budgetary Revenue - $10,984 Million

- In 1985-86, non-renewable resource accounted for nearly 37% of total budgetary revenue.
- **In 1992-93, non-renewable resource will account for less than 19% of total budgetary revenue.**